

## **Annual Evaluation of the Hawaii Unemployment Compensation Fund**

State of Hawaii  
Department of Labor & Industrial Relations

December 2009  
Data as of February 18, 2010

STATE OF HAWAII  
Linda Lingle, Governor

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
Darwin L.D. Ching, Director  
Colleen Y. LaClair, Deputy Director

RESEARCH AND STATISTICS OFFICE  
Naomi Harada, Chief

Operations Management Information Staff  
Dayle Kobashigawa, Research Statistician  
830 Punchbowl Street, Room 304  
Honolulu, HI 96813  
(808) 586-9005

UNEMPLOYMENT INSURANCE DIVISION  
Linda Y. Uesato, Administrator

December 2009

# TABLE OF CONTENTS

	Page
<b>Executive Summary</b> .....	1
<b>Background Information</b> .....	3
• Purpose of Report	
• Fund Definition and Requirements	
<b>Status of the Unemployment Compensation Fund</b> .....	4
• Status of the Fund	
• Fund Solvency	
• Tax Rates	
• Taxable Wage Base	
<b>Economic Factors</b> .....	6
• General Conditions	
• Labor Force Data	
• Insured Unemployment and Employment Covered by the UC Fund	
• Weekly Benefit Amounts and Average Duration	
<b>Experience Rating</b> .....	10
• Description	
• Charged and Noncharged Benefits	
• 2008 Employer Data	
<b>Appendixes</b>	
A   Computation of Employer Contribution Rates.....	A-1
B   Annual Data from 1970	
• Labor Force Data.....	A-2
• Insured Unemployment and Employment Covered by the UC Fund .....	A-3
• Weekly Benefit Amount and Average Duration .....	A-4
• Hawaii Unemployment Compensation Fund.....	A-5
• Ratio of Current to Adequate Reserve Fund.....	A-6
• Unemployment Insurance Tax Rates.....	A-7
• Total and Taxable Wages.....	A-8
• Charged and Noncharged Benefits .....	A-9
C   Benefits Not Charged to Employer Accounts.....	A-10
D   The Hawaii Unemployment Compensation Fund and Economic Conditions: 1970 to the Present .....	A-11



## EXECUTIVE SUMMARY

### Highlights

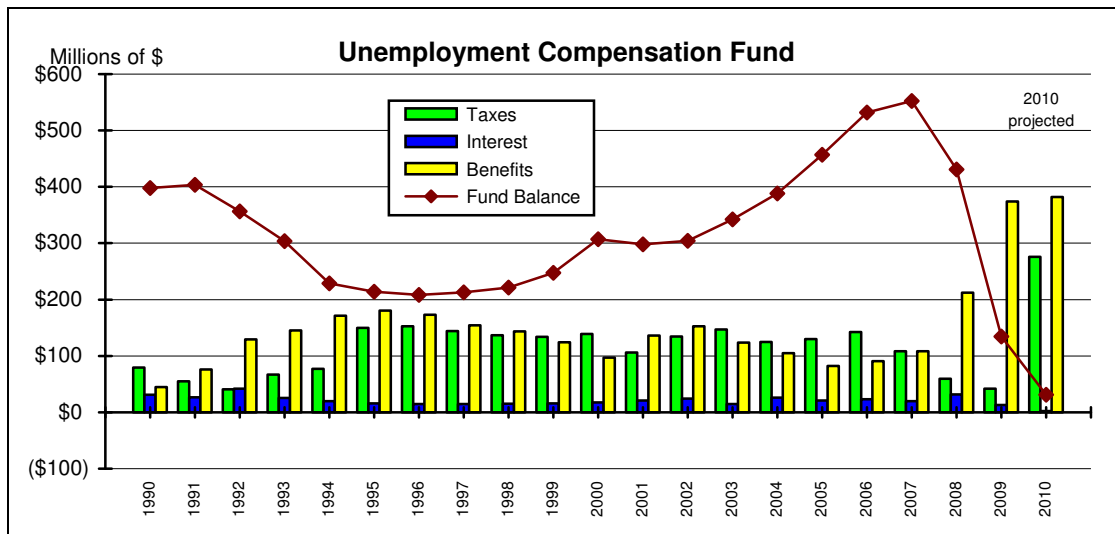
	2008	2009	2010
<b>Unemployment Compensation Fund</b>			
Contributions	\$59 million	\$42million	\$276 million*
Interest	\$32 million	\$13 million	\$2 million*
Benefits	\$212 million	\$374 million	\$382 million*
Fund Balance (end of year)	\$431 million	\$134 million	\$31 million*
<b>Unemployment Rates</b>			
Hawaii Insured Unemployment Rate	1.78%	3.36%	3.55%*
Hawaii Total Unemployment Rate	3.9%	7.0%	7.3%*
U.S. Total Unemployment Rate	5.8%	9.3%	
<b>Taxable Wage Base</b>	\$13,000	\$13,000	\$38,800
<b>Tax Schedule</b>	Schedule A	Schedule A	Schedule F
<b>Tax Rates</b>			
Minimum	0.0%	0.0%	1.2%
Maximum	5.4%	5.4%	5.4%
Average			
% of Taxable Wages	0.7%	0.7%*	2.75%*
% of Total Wages	0.3%	0.3%*	1.9%*
<b>Weekly Benefit Amount</b>			
Minimum	\$5	\$5	\$5
Maximum	\$523	\$545	\$559
Average	\$406	\$411	
<b>Average Benefit Duration</b>	13.9 weeks	18.9 weeks	

\* estimated

### Status of the Fund

The Hawaii Unemployment Compensation Fund *balance was \$162 million at the end of November 2009.* During the first eleven months of 2009, \$42 million in taxes and \$11 million in interest were added to the Fund. At the same time, \$345 million in benefits were paid out from the Fund. As of November, the fund balance is 0.42 of the adequate level. This amount would finance less than one half year of unemployment at the worst level experienced during the last ten years.

*The fund balance at the end of 2009 was \$134 million. The low fund balance has triggered tax schedule F to be in effect for 2010. Assuming the calendar year 2010 insured unemployment rate averages 3.55%, or about 20,200 claims per week, the fund balance is estimated to be approximately \$31 million at the end of 2010. With this even lower fund balance, schedule H would be in effect for 2011.*

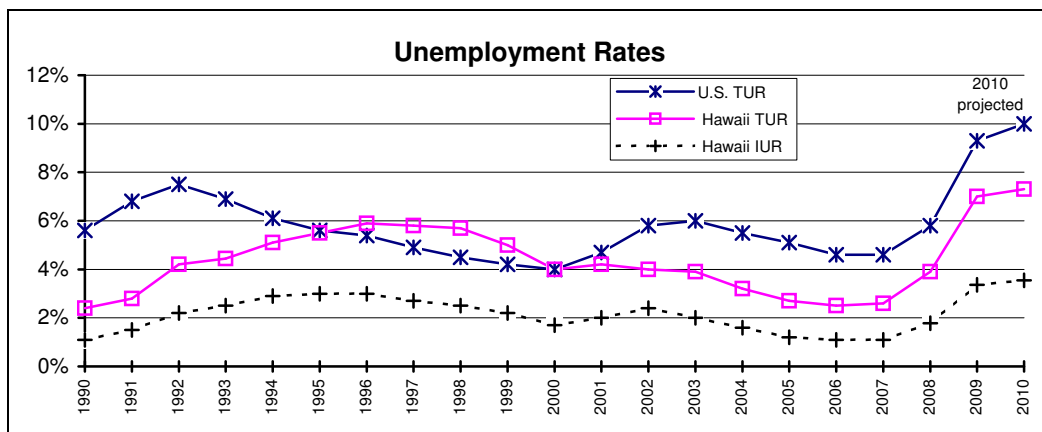


## Economic Factors

The national unadjusted total unemployment rate (TUR) was 9.5% as of October 2009, increasing from the October 2008 rate of 6.1%. Hawaii's unadjusted total unemployment rate (TUR) was 7.1% in October 2009 as compared to 4.4% in October 2008. Hawaii's total nonagricultural wage and salary job count has declined, averaging 599,200 for the ten months ending October 2009. This is a 20,000 decrease from the 2008 annual average of 619,200.

The insured unemployment rate (IUR), a measure of the unemployed covered by Hawaii's unemployment compensation program, is used to project outgo from the Unemployment Compensation Fund. The IUR averaged 1.78% in 2008. It is at 3.45% as of November 2009.

*Projections in this report assume continued high unemployment levels in Hawaii through 2010. Trust fund estimates are based on an insured unemployment rate (IUR) of 3.36% in 2009 and 3.55% in 2010.*



## 2010 Tax Schedule and Taxable Wage Base

Taxes will increase in calendar year 2010 due to the high unemployment and low fund balance at the end of 2009. Tax schedule F will be in effect for the calendar year 2010. Tax rates will range from 1.2% to 5.4%. The average tax rate is estimated to be 2.75%. The taxable wage base (maximum annual wages taxable per employee) will be \$38,800 in 2010.

## BACKGROUND INFORMATION

### Purpose of Report

This report is produced to meet the requirements of section 383–126.5, Hawaii Revised Statutes, which calls for an *annual evaluation of the adequacy of the Hawaii Unemployment Compensation Fund balance*, taking into account conditions in the State and national economic trends. The report is due to the Legislature no later than 20 days prior to the convening of the regular session.

### Fund Definition and Requirements

**Establishment of Fund in Hawaii state law.** The Hawaii Employment Security Law (Hawaii Revised Statutes, chapter 383) establishes the Unemployment Compensation Fund under the administration of the Department of Labor and Industrial Relations. Unemployment insurance contributions (taxes) are collected from employers and deposited into this fund. Interest earned on the fund balance is also credited to the fund. The fund can be used *only* to pay unemployment insurance benefits or refunds of overpaid contributions.

**Federal requirements.** Both state and federal laws govern the unemployment insurance program. The Federal Unemployment Tax Act (FUTA), which is part of the U.S. Internal Revenue Code, provides for a federal payroll tax—currently 6.2% of the first \$7,000 in wages per year per employee. Employers receive a tax credit of 5.4% against the Federal tax (resulting in a net tax rate of 0.8%) if their state's law meets all the requirements in the federal laws. The federal tax pays for state and federal administration costs, the federal share of extended benefits, and a loan fund for states that deplete their unemployment funds.

The Social Security Act also contains many requirements relating to the unemployment insurance program.

Three important trust fund related federal requirements are as follows.

- All state unemployment compensation funds must be maintained in the U.S. Treasury as part of the federal Unemployment Trust Fund. Each state has an account in the Trust Fund and interest is paid quarterly to the account by the federal government.
- The Trust Fund can be used essentially only for the payment of unemployment benefits.
- Employers receive the full 5.4% federal tax credit only if the state's system for determining individual employer tax rates meets federal standards. For example, the state's maximum tax rate must be at least 5.4% and an employer's tax rate may be reduced from the maximum, but the reduction must be based on that employer's experience with unemployment (experience rating).

Nonconformity to federal standards can result in:

- denial of all credit against the federal tax (employer's federal tax would be the full 6.2% on the \$7,000 wage base);
- denial of additional credit (employer's federal tax would be the difference of the full federal tax minus their state taxes paid); and/or
- denial of administration grants to run the state program.

To insure that Hawaii employers continue to receive full federal unemployment tax credits, and funding for the state program is not lost, federal standards must be considered in developing laws affecting Hawaii's Unemployment Compensation Fund.

**Self-financing of benefits by governmental and/or nonprofit employers.** Sections 383-62 and 62.5, Hawaii Revised Statutes provide that State and County governmental employers, nonprofit organizations described in section 501(c)(3) of the Internal Revenue Code and exempt from income tax under section 501(a) of such code, and Indian tribes may elect exemption from paying contributions by requesting self-financing status.

## STATUS OF THE UNEMPLOYMENT COMPENSATION FUND

### Status of the Fund

(Historical data from 1970: Appendix B, page A-5)

The fund balance was \$162 million at the end of November 2009 compared to \$431 million at the end of 2008. During the first eleven months of 2009, \$42 million in taxes and \$11 million in interest were added to the Fund. At the same time, \$345 million in benefits were paid out from the Fund.

*Projections through 2010: For this report the insured unemployment rate is projected to average 3.36% in 2009 and 3.55% in 2010. This would result in a benefit outgo of about \$382 million in 2010. Taxes and interest are projected at about \$278 million in 2010. On the basis of this forecasted level of unemployment, the fund balance would be about \$31 million by the end of 2010 and Tax Schedule H would be in effect for 2011.*

### HAWAII UNEMPLOYMENT COMPENSATION FUND

(in millions of \$)

Year	Taxes*	Interest	Benefits	Fund Balance
2007	\$108.4	\$19.8	\$108.2	\$552.2
2008	\$59.4	\$31.5	\$212.3	\$430.8
2009				
Jan	\$1.9	\$0.0	\$27.0	\$405.6
Feb	\$3.4	\$0.0	\$28.1	\$383.1
Mar	-\$0.3	\$4.5	\$35.1	\$352.2
Apr	\$8.9	\$0.0	\$32.1	\$322.2
May	\$12.9	\$0.0	\$31.7	\$303.3
Jun	\$0.0	\$3.5	\$36.2	\$279.8
Jul	\$4.2	\$0.0	\$31.9	\$251.8
Aug	\$4.9	\$0.0	\$32.8	\$243.8
Sep	\$0.1	\$2.8	\$31.1	\$214.9
Oct	\$2.1	\$0.0	\$28.0	\$188.7
Nov	\$3.9	\$0.0	\$30.4	\$161.9
Dec	\$0.0	\$1.9	\$29.2	\$134.4
<i>Projected</i>				
2009	\$42	\$13	\$374	\$134
2010	\$276	\$2	\$382	\$31

### Fund Solvency

(Historical data from 1970: Appendix B, page A-6)

The Hawaii Employment Security Law defines the factors used to measure the adequacy of the Fund and how the tax rate schedule for the coming year is determined based on that adequacy level. Appendix A outlines the method for determining the tax schedule and how each employer's individual tax rate is computed based on the employer's benefit and contribution experience as well as the schedule in effect.

On page A-6, Appendix B, the table entitled *Ratio of Current to Adequate Reserve Fund* shows the data used in tax schedule computations since 1970. Due to temporary changes to the law enacted by the 2007 Legislature, for the calendar years 2008 through 2010, the *adequate reserve fund* will be the amount of benefits that would be paid out during one year of unemployment at the highest level experienced during the most recent ten years. The regular provisions of the law set the amount at one and one-half years at the highest cost rate. For the 2010 tax schedule computation, the adequate amount is \$383,047,719. The



current reserve fund (actual fund assets as of November 30, 2009) is \$161,906,928. This current reserve is 0.42 of the adequate level. This amount would finance less than one half year of unemployment at the worst level experienced during the last ten years. Based on this computation, Schedule F will be in effect for 2010.

## **Tax Rates**

*(Historical data from 1970: Appendix B, page A-7)*

One of eight tax schedules, A through H, is in effect for a calendar year as explained in Appendix A. Schedule A has the lowest tax rates, while schedule H has the highest. The average tax rate attainable from a particular tax schedule depends on the distribution of employers by reserve ratio groups. Employers tend to move to higher reserve ratio groups during periods when contributions exceed benefits. Thus more employers move into the lower tax rate groups and the average tax rate for a schedule decreases. Minimum, maximum, and average tax rates are shown on page A-7, Appendix B. Taxes are estimated to average about 2.75% of taxable wages during calendar year 2010 with Schedule F in effect.

## **Taxable Wage Base**

*(Historical data from 1970: Appendix B, page A-8)*

There is a maximum limit on the amount of taxable annual wages per employee for unemployment insurance tax purposes. The law sets this amount, the *taxable wage base*, at 100% of the statewide average annual wage. Act 110 enacted by the 2007 Legislature set the taxable wage base at \$13,000 for 2008 through 2010. Act 110 also contained a provision to increase the wage base back to the regular formula if the fund fell below the adequate reserve fund level. Because the fund is below adequate at the end of November 2009, the 2010 wage base computation returned to the 100% formula. The taxable wage base for calendar year 2010 will be \$38,800.

Setting the wage base at the average annual wage results in approximately 70% of all wages being subject to unemployment insurance taxes. A \$13,000 taxable wage base lowers the percent of total wages taxed to an estimated 36%. The *Total and Taxable Wages* table on page A-8, Appendix B shows the taxable wage bases and the proportions of wages taxed since 1970.

The current tax schedule system was designed to work with the currently defined taxable wage base. When the wage base is lowered, the tax schedules will produce lower levels of income than they were designed to produce.

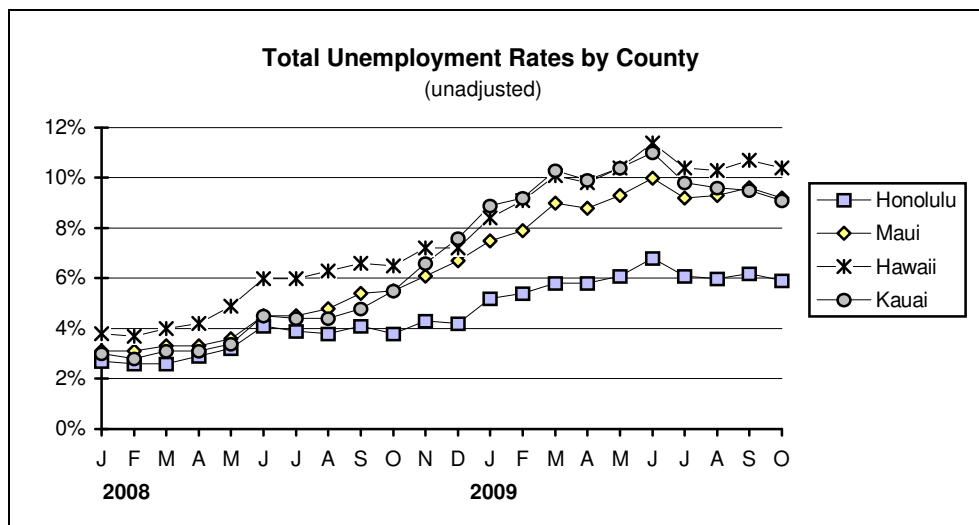
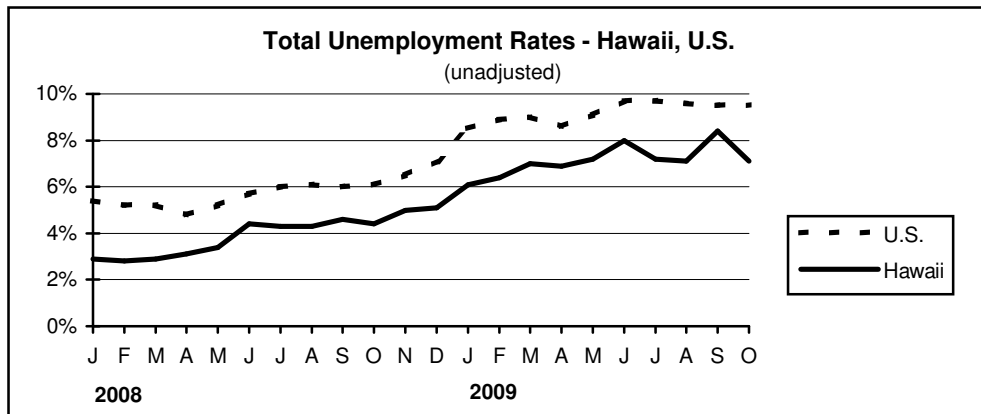
## ECONOMIC FACTORS

### General Conditions

Hawaii and the nation experienced large increases in unemployment as a result of recessionary economic conditions. The national unadjusted total unemployment rate (TUR) was 9.5% as of October 2009, increasing from the October 2008 rate of 6.1%. Hawaii's unadjusted TUR was 7.1% in October 2009 as compared to 4.4% in October 2008. As shown in the chart below, unemployment rates grew from the second half of 2008 but have stabilized somewhat in the last half of 2009. For the month of October 2009, unemployment rates were 5.9% for Honolulu, 9.1% for Kauai County, 9.2% for Maui County, and 10.4% for Hawaii County.

Hawaii's total nonagricultural wage and salary job count has declined, averaging 599,200 for the ten months ending October 2009. This is a 20,000 decrease from the 2008 annual average of 619,200. Comparing the month of October 2009 to October 2008, the total job count is down to 590,800 from 614,000--a 23,200 or 4% drop. The only major industry sector that is showing small growth in 2009 is Educational and Health Services. All other sectors showed over the year declines in job counts.

*Outlook:* This report assumes continued high unemployment levels for Hawaii through 2010.



## Labor Force Data

(Historical data from 1970: Appendix B, page A-2)

Employment in Hawaii has declined from an annual average of 628,450 in calendar year 2008 to 601,100 during the first ten months in 2009. Unemployment increased from an average of 25,850 in 2008 to 45,600 for the January through October 2009 period.

Hawaii's total unemployment rate (TUR) averaged 7.0% over the first ten months of 2009, increasing over the calendar year 2008 average of 3.9%.

The total unemployment rate for the U.S. averaged 9.2% for the first ten months of 2009, increasing over the calendar year 2008 average of 5.8%.

*Projections for this publication assume the Hawaii total unemployment rate will average 7.0% in 2009 and 7.3% in 2010.*

### LABOR FORCE DATA

Unadjusted

Year	<i>Hawaii</i>			<i>U.S.</i>
	Employment	Unemployment	Total Unemployment Rate	Total Unemployment Rate
2007	628,900	17,050	2.6%	4.6%
2008	628,450	25,850	3.9%	5.8%
2009				
Jan	609,000	39,700	6.1%	8.5%
Feb	606,100	41,350	6.4%	8.9%
Mar	599,550	44,850	7.0%	9.0%
Apr	603,650	44,600	6.9%	8.6%
May	601,100	46,950	7.2%	9.1%
Jun	598,350	52,150	8.0%	9.7%
Jul	606,200	47,100	7.2%	9.7%
Aug	596,900	45,950	7.1%	9.6%
Sep	595,550	47,750	7.4%	9.5%
Oct	594,750	45,250	7.1%	9.5%
<i>Projected</i>				
2009			7.0%	
2010			7.3%	

## Insured Unemployment and Employment Covered by the Unemployment Compensation Fund

(Historical data from 1970: Appendix B, page A-3)

The average monthly number of employees covered by the Fund was 463,561 in 2008, decreasing from 472,151 in 2007. Covered employees decreased further to an average of 438,000 during the first half of 2009.

The insured unemployment rate (IUR) is average weekly unemployment insurance claims as a percent of covered employees. The IUR was 3.45% as of November 2009, compared to the 2008 average of 1.78%. The average weekly number of claims filed under the regular state program was 11,611 in 2008. The number of weekly claims is 19,991 as of November 2009.

*Projections for the IUR: average of 3.36% for 2009 and 3.55% for 2010.*

### INSURED UNEMPLOYMENT RATE AND EMPLOYMENT COVERED BY THE UC FUND

Year	Insured Unemployment		Employees Covered By the Fund
	Rate (IUR)	Average Weekly Claims*	
2007	1.13%	6,798	472,151
2008	1.78%	11,611	463,561
2009			
Jan	2.77%	16,441	442,090
Feb	2.98%	17,736	441,042
Mar	3.16%	18,782	440,177
Apr	3.35%	19,820	434,919
May	3.48%	20,619	434,017
Jun	3.56%	21,054	435,746
Jul	3.62%	21,245	432,346
Aug	3.58%	21,027	431,551
Sep	3.54%	20,760	431,303
Oct	3.50%	20,308	
Nov	3.45%	19,991	
Dec	3.41%	19,795	
<i>Projected</i>			
2009	3.36%	20,200	
2010	3.55%	20,200	

\*Monthly data are for the week containing the 12<sup>th</sup> of the month and are based on 13 week moving averages.

Figures do not include claims under special programs that extend benefits beyond 26 weeks of regular benefits.

## **Weekly Benefit Amounts and Average Duration**

*(Historical data from 1970: Appendix B, page A-4)*

The *maximum weekly benefit amount* payable to claimants *will rise to \$559 for the calendar year 2010*—a \$14 increase from the \$545 maximum in 2009. Under Hawaii's law a new maximum weekly benefit amount is normally computed each year as 70% of the current statewide average weekly wage. Prior to 1992, the computation used 2/3 rather than 70%. Effective for calendar years 2008 through 2010, the computation is made with a 75% multiplier due to Act 110, which was enacted by the 2007 Legislature.

*Average weekly benefits* received by claimants increased to an average of \$411 for the 12-month period ending October 2009 as compared to an average of \$406 for calendar year 2008. A weekly benefit amount is computed for each claimant based on prior earnings. Average weekly benefits usually increase over time with increases in earnings. Average benefits increase more rapidly when workers with higher wages experience more unemployment, and may decrease when lower wage claimants represent a larger proportion of the unemployed.

Claimants may receive up to the equivalent of 26 weeks of regular benefits at their computed weekly benefit amount. However many return to work before collecting this entire amount. The *average number of weeks of regular benefits* received per claimant was 18.0 weeks for the twelve-month period ending October 2009. This is a four week increase from the 2008 annual average of 13.9 weeks. These averages do not include benefits paid under special programs that extend benefits beyond the 26 weeks of regular benefits.

## EXPERIENCE RATING

### Description

Experience rating means that each employer's unemployment insurance tax rate is based on the employer's own benefit, contribution, and wage history. For each employer an account is kept of the amount of benefits paid to former employees and the amount of taxes paid into the Unemployment Compensation Fund. At the end of the year, a *reserve ratio* is computed for each employer and that reserve ratio determines the employer's tax rate for the coming year. Appendix A describes this procedure.

### Charged and Noncharged Benefits

*(Historical data from 1970: Appendix B, page A-9)*

For experience rating purposes benefits paid to former employees are usually charged to the employers' individual accounts. However, under certain conditions where the employer may be considered not responsible for the claimant's unemployment, the benefits paid to that former employee is *not* charged to the employer's account. The conditions for noncharging are described in Appendix C. In 2008, 15% of all benefits paid were not charged to an individual employer account. Noncharged benefits are financed by Unemployment Compensation Fund interest income or by employers as a whole by triggering a higher tax schedule due to a lower fund balance.

### 2008 Employer Data

The following tables show 2008 employment, wage, benefit, and contribution data for employers who contribute to the Unemployment Compensation Fund and for whom a tax rate was computed for calendar year 2009. Information on employers who were covered under the Hawaii unemployment insurance program during 2008, but were no longer covered as of January 1, 2009, are not included in these tables. Data are shown by reserve ratio, county, size of firm, and industry groups. The reserve ratio tables show 2008 data by reserve ratios as of the end of 2008. Also shown on those tables are the 2009 tax rates assigned to each reserve ratio group.

Thirty-one percent of all employers were in the five highest reserve ratio groups, with ratios of 0.1100 and higher. These 9,700 employers were assigned the minimum 0.0% tax rate for 2009. Six percent of the employers were assigned the maximum 5.4% tax rate, mostly due to delinquent filing of tax reports.

## Employer Data

### 2008 Employment and Wage Data by Reserve Ratio

Reserve Ratio <i>End of 2008</i>	2009 Tax Rate	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
.1500 and over	0.0%	4,448	14	37,669	8	1,938,865	11	477,512	7
.1400 to .1499	0.0%	1,055	3	21,305	5	864,263	5	287,188	4
.1300 to .1399	0.0%	1,225	4	21,577	5	914,081	5	288,889	5
.1200 to .1299	0.0%	1,397	4	30,642	7	1,178,213	7	404,988	6
.1100 to .1199	0.0%	1,582	5	48,834	11	1,787,985	10	649,942	10
.1000 to .1099	0.1%	1,743	6	40,812	9	1,538,079	9	555,508	9
.0900 to .0999	0.3%	1,621	5	41,334	9	1,486,678	8	555,230	9
.0800 to .0899	0.5%	1,537	5	32,151	7	1,097,618	6	435,727	7
.0700 to .0799	0.7%	1,439	5	24,577	5	830,804	5	333,820	5
.0600 to .0699	0.9%	1,466	5	26,196	6	928,847	5	352,559	6
.0500 to .0599	1.1%	3,290	11	29,391	6	1,013,879	6	406,340	6
.0300 to .0499	1.3%	1,339	4	29,676	6	1,112,418	6	448,883	7
.0000 to .0299	1.7%	845	3	21,278	5	787,034	4	324,156	5
-.0000 to -.0499	2.1%	691	2	12,506	3	553,313	3	200,075	3
-.0500 to -.0999	2.5%	406	1	6,642	1	372,895	2	110,939	2
-.1000 to -.4999	2.9%	898	3	11,339	2	675,744	4	201,694	3
-.5000 to -.9999	3.4%	208	1	2,432	1	149,301	1	42,419	1
-1.0000 to -1.4999	4.1%	79	0	695	0	30,919	0	11,122	0
-1.5000 to -1.9999	4.7%	36	0	694	0	36,986	0	10,905	0
-2.0000 and less	5.4%	69	0	133	0	4,565	0	2,410	0
New & Reactive	1.7%	4,129	13	10,647	2	329,308	2	160,063	3
N&R Neg Reserve	5.4%	148	0	284	0	12,122	0	5,566	0
Delinquent	5.4%	1,621	5	7,895	2	205,051	1	148,567	2
Total		31,272	100	458,709	100	17,848,968	100	6,414,503	100

Employment, wages, and percentages may not add to totals due to rounding.

### 2008 Benefit and Contribution Data by Reserve Ratio

Reserve Ratio <i>End of 2008</i>	2009 Tax Rate	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
.1500 and over	0.0%	2,606	1,049	3,655	2	0.8	596	1	0.12
.1400 to .1499	0.0%	837	588	1,425	1	0.5	112	0	0.04
.1300 to .1399	0.0%	925	738	1,663	1	0.6	82	0	0.03
.1200 to .1299	0.0%	1,826	1,273	3,100	2	0.8	659	1	0.16
.1100 to .1199	0.0%	4,584	1,952	6,536	3	1.0	1,094	2	0.17
.1000 to .1099	0.1%	3,983	1,730	5,713	3	1.0	1,595	3	0.29
.0900 to .0999	0.3%	5,401	2,129	7,530	4	1.4	2,624	6	0.47
.0800 to .0899	0.5%	8,472	1,657	10,129	5	2.3	2,492	5	0.57
.0700 to .0799	0.7%	5,005	1,463	6,468	3	1.9	2,594	6	0.78
.0600 to .0699	0.9%	4,676	1,565	6,241	3	1.8	3,082	7	0.87
.0500 to .0599	1.1%	5,810	1,995	7,805	4	1.9	4,616	10	1.14
.0300 to .0499	1.3%	10,160	5,727	15,887	8	3.5	5,535	12	1.23
.0000 to .0299	1.7%	14,199	2,326	16,525	8	5.1	4,375	9	1.35
-.0000 to -.0499	2.1%	15,781	1,686	17,467	9	8.7	3,190	7	1.59
-.0500 to -.0999	2.5%	13,568	997	14,566	7	13.1	2,195	5	1.98
-.1000 to -.4999	2.9%	40,912	2,078	42,990	22	21.3	5,506	12	2.73
-.5000 to -.9999	3.4%	9,281	414	9,695	5	22.9	1,360	3	3.21
-1.0000 to -1.4999	4.1%	2,407	82	2,488	1	22.4	409	1	3.68
-1.5000 to -1.9999	4.7%	1,462	42	1,505	1	13.8	463	1	4.25
-2.0000 and less	5.4%	669	38	707	0	29.3	119	0	4.94
New & Reactive	1.7%	275	60	335	0	0.2	2,779	6	1.74
N&R Neg Reserve	5.4%	486	10	495	0	8.9	156	0	2.80
Delinquent	5.4%	12,904	506	13,410	7	9.0	754	2	0.51
Total		166,231	30,103	196,334	100	3.1	46,385	100	0.72

Benefits, contributions, and percentages may not add to totals due to rounding.

\* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line  
Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line



### 2008 Employment and Wage Data by County

County	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Oahu	17,668	57	243,084	53	9,594,626	54	3,316,462	52
Maui	3,994	13	42,366	9	1,518,144	8	614,454	10
Hawaii	3,849	12	39,587	9	1,363,277	8	562,227	9
Kauai	1,613	5	18,148	4	607,123	3	252,759	4
Interstate	4,148	13	115,524	25	4,765,798	27	1,668,602	26
Total	31,272	100	458,709	100	17,848,968	100	6,414,503	100

Employment, wages, and percentages may not add to totals due to rounding.

### 2008 Benefit and Contribution Data by County

County	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Oahu	83,465	12,428	95,893	49	2.9	22,704	49	0.68
Maui	17,446	3,243	20,689	11	3.4	4,855	10	0.79
Hawaii	21,410	3,111	24,521	12	4.4	4,727	10	0.84
Kauai	7,656	1,062	8,718	4	3.4	2,167	5	0.86
Interstate	36,254	10,260	46,514	24	2.8	11,932	26	0.72
Total	166,231	30,103	196,334	100	3.1	46,385	100	0.72

Benefits, contributions, and percentages may not add to totals due to rounding.

\* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line

Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

### 2008 Employment and Wage Data by Size of Firm

Employment Size	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Less than 5	19,773	63	32,997	7	1,658,910	9	521,923	8
5 to 9	5,029	16	35,192	8	1,271,944	7	480,949	7
10 to 19	2,952	9	41,021	9	1,550,869	9	566,280	9
20 to 49	2,053	7	63,362	14	2,446,572	14	880,767	14
50 to 99	780	2	54,193	12	2,105,177	12	761,149	12
100 to 249	457	2	69,960	15	2,712,783	15	981,051	15
250 or more	228	1	161,985	35	6,102,713	34	2,222,385	35
Total	31,272	100	458,709	100	17,848,968	100	6,414,503	100

Employment, wages, and percentages may not add to totals due to rounding.

### 2008 Benefit and Contribution Data by Size of Firm

Employment Size	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Less than 5	14,034	1,654	15,687	8	3.0	4,608	10	0.88
5 to 9	11,077	1,632	12,709	7	2.6	3,912	8	0.81
10 to 19	15,011	2,590	17,600	9	3.1	4,704	10	0.83
20 to 49	23,026	4,297	27,323	14	3.1	7,011	15	0.80
50 to 99	20,435	3,849	24,284	12	3.2	5,905	13	0.78
100 to 249	25,280	4,740	30,020	15	3.1	7,611	16	0.78
250 or more	57,368	11,343	68,710	35	3.1	12,634	27	0.57
Total	166,231	30,103	196,334	100	3.1	46,385	100	0.72

Benefits, contributions, and percentages may not add to totals due to rounding.

\* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line

Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

## 2008 Employment and Wage Data by NAICS Industry

Industry	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Natural Resources & Mining	425	1	7,071	2	244,624	1	103,537	2
Utilities	40	0	3,079	1	241,617	1	42,915	1
Construction	3,140	10	35,729	8	2,267,404	13	631,850	10
Manufacturing	964	3	14,559	3	574,494	3	203,003	3
Wholesale Trade	1,917	6	18,412	4	874,534	5	265,193	4
Retail Trade	3,169	10	68,836	15	1,991,440	11	908,155	14
Transportation & Warehousing	822	3	25,452	6	1,037,049	6	377,656	6
Information	499	2	11,140	2	550,038	3	149,120	2
Finance & Insurance	1,098	4	18,969	4	1,080,733	6	277,768	4
Real Estate, Rental & Leasing	1,696	5	12,390	3	504,495	3	178,752	3
Professional, Scientific, & Technical Services	3,752	12	22,621	5	1,734,010	10	342,853	5
Management of Companies & Enterprises	186	1	1,039	0	95,602	1	15,837	0
Administrative & Support; Waste Management & Remediation Services	2,082	7	48,823	11	1,457,444	8	720,346	11
Educational Services	518	2	6,795	1	195,746	1	84,547	1
Health Care & Social Assistance	2,810	9	38,215	8	1,600,755	9	512,498	8
Arts, Entertainment & Recreation	487	2	9,251	2	247,591	1	109,046	2
Accommodation & Food Services	2,737	9	93,676	20	2,497,359	14	1,188,701	19
Other Services (except Public Administration)	3,351	11	22,038	5	626,309	4	290,190	5
Unknown	1,579	5	614	0	27,723	0	12,538	0
Total	31,272	100	458,709	100	17,848,968	100	6,414,503	100

Employment, wages, and percentages may not add to totals due to rounding.

## 2008 Benefit and Contribution Data by NAICS Industry

Industry	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Natural Resources & Mining	4,112	324	4,436	2	4.3	1,042	2	1.01
Utilities	91	47	137	0	0.3	55	0	0.13
Construction	67,325	5,723	73,048	37	11.6	11,655	25	1.84
Manufacturing	3,593	651	4,244	2	2.1	1,264	3	0.62
Wholesale Trade	3,204	1,053	4,257	2	1.6	1,283	3	0.48
Retail Trade	7,430	3,227	10,657	5	1.2	3,577	8	0.39
Transportation & Warehousing	15,416	5,362	20,777	11	5.5	2,325	5	0.62
Information	5,054	537	5,591	3	3.8	1,336	3	0.90
Finance & Insurance	2,935	797	3,732	2	1.3	933	2	0.34
Real Estate, Rental & Leasing	3,643	761	4,404	2	2.5	1,104	2	0.63
Professional, Scientific, & Technical Services	5,243	952	6,195	3	1.8	2,403	5	0.70
Management of Companies & Enterprises	336	44	380	0	2.4	115	0	0.73
Administrative & Support; Waste Management & Remediation Services	17,299	4,098	21,397	11	3.0	6,524	14	0.91
Educational Services	786	99	885	1	1.0	477	1	0.56
Health Care & Social Assistance	3,246	1,153	4,400	2	0.9	2,889	6	0.56
Arts, Entertainment & Recreation	1,798	550	2,347	1	2.2	636	1	0.58
Accommodation & Food Services	21,517	3,863	25,381	13	2.1	6,975	15	0.59
Other Services (except Public Administration)	3,138	849	3,988	2	1.4	1,614	4	0.56
Unknown	65	15	80	0	0.6	179	0	1.43
Total	166,231	30,103	196,334	100	3.1	46,385	100	0.72

Benefits, contributions, and percentages may not add to totals due to rounding.

\* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line

Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

## APPENDIX A

### Computation of Employer Contribution Rates

An employer's Hawaii unemployment insurance tax rate is computed once a year based on the employer's reserve ratio and the tax schedule (one of eight possible schedules, A through H) in effect for the year. The tax rates corresponding to each tax schedule and reserve ratio group are shown below in the **Contribution Rate Schedules** table.

Employers not chargeable with benefits for the 12-month period prior to the rate computation date are ineligible for an experience (reserve ratio) computation and are assigned the tax rate corresponding to a zero reserve ratio; if the ineligible employer has a negative reserve balance, a rate of 5.4% is assigned.

#### Computation of Employer Reserve Ratio:

Reserve Ratio = all contributions paid by the employer minus all benefits charged to the employer, divided by 1/3 of the sum of the employer's taxable payrolls for the last 3 consecutive calendar years.

#### Determination of Tax Schedule:

(a) Compute Adequate Reserve:

Adequate Reserve = \*1.5 times highest benefit cost rate occurring during the last 10 years, times total wages for last completed fiscal year ending June 30.

Benefit cost rate = total benefits paid during a 12 consecutive month period, divided by total wages for the last 4 completed calendar quarters ending at least 5 months before the end of the 12 consecutive month period.

(b) Compute ratio of Current Reserve to Adequate Reserve:

Ratio = Current Reserve (Unemployment Compensation Fund balance as of November 30) divided by Adequate Reserve.

(b) Determine Tax Schedule based on ratio of current to adequate reserve as shown below.

\*For rate years 2008 through 2010 the usual 1.5 times multiplier is temporarily eliminated.

Contribution Rate Schedules									Tax Schedule Computation	
Reserve Ratio	A	B	C	D	E	F	G	H	Ratio of Current to Adequate Reserve	Tax Schedule
.1500 and over	0.0	0.0	0.0	0.2	0.6	1.2	1.8	2.4	More than 1.69	A
.1400 to .1499	0.0	0.0	0.1	0.4	0.8	1.4	2.0	2.6	1.3 to 1.69	B
.1300 to .1399	0.0	0.0	0.2	0.6	1.0	1.6	2.2	2.8	1.0 to 1.29	C
.1200 to .1299	0.0	0.1	0.4	0.8	1.2	1.8	2.4	3.0	0.80 to 0.99	D
.1100 to .1199	0.0	0.2	0.6	1.0	1.4	2.0	2.6	3.2	0.60 to 0.79	E
.1000 to .1099	0.1	0.3	0.8	1.2	1.6	2.2	2.8	3.4	0.40 to 0.59	F
.0900 to .0999	0.3	0.5	1.0	1.4	1.8	2.4	3.0	3.6	0.20 to 0.39	G
.0800 to .0899	0.5	0.7	1.2	1.6	2.0	2.6	3.2	3.8	Less than 0.20	H
.0700 to .0799	0.7	0.9	1.4	1.8	2.2	2.8	3.4	4.0		
.0600 to .0699	0.9	1.1	1.6	2.0	2.4	3.0	3.6	4.2		
.0500 to .0599	1.1	1.3	1.8	2.2	2.6	3.2	3.8	4.4		
.0300 to .0499	1.3	1.5	2.0	2.6	3.0	3.6	4.2	4.8		
.0000 to .0299	1.7	1.9	2.4	3.0	3.4	4.0	4.6	5.2		
-.0000 to -.0499	2.1	2.3	2.8	3.4	3.8	4.4	5.0	5.4		
-.0500 to -.0999	2.5	2.7	3.2	4.0	4.4	5.0	5.4	5.4		
-.1000 to -.4999	2.9	3.1	3.6	4.6	5.0	5.4	5.4	5.4		
-.5000 to -.9999	3.4	3.6	4.2	5.2	5.4	5.4	5.4	5.4		
-1.0000 to -1.4999	4.1	4.2	4.8	5.4	5.4	5.4	5.4	5.4		
-1.5000 to -1.9999	4.7	4.8	5.4	5.4	5.4	5.4	5.4	5.4		
-2.0000 and less	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4		

## APPENDIX B

### Annual Data from 1970

#### LABOR FORCE DATA

unadjusted

Year	<i>Hawaii</i>			<i>U.S.</i>
	Employment	Unemployment	Total Unemployment Rate	Total Unemployment Rate
1970	305,650	15,900	4.9%	4.9%
1971	313,450	23,350	6.9%	5.9%
1972	324,050	26,950	7.7%	5.6%
1973	338,350	26,250	7.2%	4.9%
1974	345,350	29,650	7.9%	5.6%
1975	351,100	31,850	8.3%	8.5%
1976	372,250	38,000	9.3%	7.7%
1977	386,150	32,400	7.7%	7.1%
1978	394,300	28,250	6.7%	6.1%
1979	406,450	24,350	5.7%	5.8%
1980	419,750	21,250	4.8%	7.1%
1981	428,500	23,200	5.1%	7.6%
1982	432,450	27,250	5.9%	9.7%
1983	444,000	27,900	5.9%	9.6%
1984	451,400	25,700	5.4%	7.5%
1985	459,400	24,400	5.0%	7.2%
1986	473,500	22,350	4.5%	7.0%
1987	492,700	18,550	3.6%	6.2%
1988	503,750	15,700	3.0%	5.5%
1989	515,250	12,550	2.4%	5.3%
1990	537,600	13,400	2.4%	5.6%
1991	547,350	15,700	2.8%	6.8%
1992	551,550	24,450	4.2%	7.5%
1993	556,350	25,400	4.4%	6.9%
1994	555,750	30,050	5.1%	6.1%
1995	557,050	32,450	5.5%	5.6%
1996	561,700	35,050	5.9%	5.4%
1997	566,750	34,900	5.8%	4.9%
1998	570,150	34,150	5.7%	4.5%
1999	576,300	30,350	5.0%	4.2%
2000	584,850	24,150	4.0%	4.0%
2001	589,200	26,050	4.2%	4.7%
2002	584,350	24,600	4.0%	5.8%
2003	592,450	23,850	3.9%	6.0%
2004	598,200	19,950	3.2%	5.5%
2005	613,350	17,250	2.7%	5.1%
2006	627,050	15,850	2.5%	4.6%
2007	628,900	17,050	2.6%	4.6%
2008	628,450	25,850	3.9%	5.8%

Source: Hawaii Workforce Informer web page ([www.hiwi.org](http://www.hiwi.org)) Note: Data from 1976 revised in 2005

## APPENDIX B continued

### INSURED UNEMPLOYMENT AND EMPLOYMENT COVERED BY THE UC FUND

Year	Insured Unemployment		Employees Covered by the Fund	
	Rate	Average Weekly Claims	Number	% change
1970	2.4%	6,124	221,498	
1971	3.9%	10,789	225,633	2%
1972	4.8%	12,737	231,338	3%
1973	3.7%	10,527	246,201	6%
1974	4.2%	12,443	252,421	3%
1975	5.2%	16,939	255,772	1%
1976	6.3%	19,427	258,485	1%
1977	4.7%	14,998	267,018	3%
1978	3.4%	10,569	285,172	7%
1979	2.7%	9,798	302,404	6%
1980	2.9%	10,740	309,424	2%
1981	3.0%	11,681	311,997	1%
1982	3.5%	13,411	306,395	-2%
1983	3.5%	12,919	309,752	1%
1984	2.9%	11,104	317,669	3%
1985	2.6%	9,696	328,268	3%
1986	2.2%	8,548	337,832	3%
1987	1.7%	7,045	358,801	6%
1988	1.5%	6,452	371,952	4%
1989	1.1%	5,041	393,693	6%
1990	1.1%	5,547	416,341	6%
1991	1.5%	7,909	415,883	0%
1992	2.2%	11,520	415,275	0%
1993	2.5%	12,721	409,338	-1%
1994	2.9%	14,752	406,316	-1%
1995	3.0%	15,324	402,645	-1%
1996	3.0%	14,854	401,001	0%
1997	2.7%	13,356	400,817	0%
1998	2.5%	12,605	398,354	-1%
1999	2.2%	10,684	401,109	1%
2000	1.7%	8,413	414,768	3%
2001	2.0%	11,545	416,770	0%
2002	2.4%	11,979	414,417	-1%
2003	2.0%	10,327	422,293	2%
2004	1.6%	8,202	435,079	3%
2005	1.2%	6,260	452,366	4%
2006	1.1%	6,234	465,014	3%
2007	1.1%	6,798	472,151	2%
2008	1.8%	11,611	463,561	-2%

Source: Unemployment Insurance Fact Book

Note: Insured unemployment data includes private industry, state and county governments, and nonprofit organizations; it also includes extended benefits for 1971, 1972, 1975 through 1978, and 1980. Employment data is for private industry only.

## APPENDIX B continued

### WEEKLY BENEFIT AMOUNT AND AVERAGE DURATION

Year	Weekly Benefit Amount		Average Benefit Duration (weeks)
	<i>Maximum</i>	<i>Average</i>	
1970	\$79	\$58	15.0
1971	\$86	\$63	18.3
1972	\$90	\$66	19.9
1973	\$93	\$68	16.0
1974	\$98	\$72	16.2
1975	\$104	\$76	16.4
1976	\$112	\$84	18.9
1977	\$120	\$89	16.4
1978	\$126	\$91	16.2
1979	\$134	\$93	13.5
1980	\$144	\$103	13.7
1981	\$157	\$114	14.2
1982	\$169	\$124	14.8
1983	\$178	\$123	15.8
1984	\$188	\$136	14.8
1985	\$194	\$134	14.6
1986	\$200	\$140	14.3
1987	\$212	\$150	13.4
1988	\$223	\$162	13.5
1989	\$239	\$170	12.0
1990	\$256	\$189	11.4
1991	\$275	\$206	13.0
1992	\$306	\$235	14.8
1993	\$322	\$246	17.6
1994	\$337	\$259	17.4
1995	\$344	\$262	16.0
1996	\$347	\$261	17.8
1997	\$351	\$259	17.1
1998	\$356	\$258	16.4
1999	\$364	\$266	16.5
2000	\$371	\$273	15.4
2001	\$383	\$282	12.8
2002	\$395	\$280	19.2
2003	\$407	\$298	15.7
2004	\$417	\$312	15.6
2005	\$436	\$328	14.2
2006	\$459	\$357	13.3
2007	\$475	\$374	13.6
2008	\$523	\$406	13.9
2009	\$545	\$411	18.9
2010	\$559		

Source: Unemployment Insurance Fact Book

Note: Data are for all claim programs, including federal programs.



## APPENDIX B continued

### HAWAII UNEMPLOYMENT COMPENSATION FUND

*(in millions of \$)*

Year	Taxes	Interest	Benefits	Fund Balance
1970	\$13.6	\$ 2.1	\$14.7	\$44.1
1971	\$15.3	\$ 2.1	\$28.3	\$33.3
1972	\$22.0	\$ 1.4	\$30.9	\$25.8
1973	\$24.6	\$ 1.2	\$26.7	\$25.0
1974	\$26.5	\$ 1.1	\$35.3	\$17.3
1975	\$39.4	\$ 0.7	\$52.0	\$ 5.3
1976	\$48.8	\$ 0.1	\$66.1	-\$11.9
1977	\$63.3	\$ 0.0	\$50.2	\$ 1.3
1978	\$73.6	\$ 0.6	\$38.3	\$37.2
1979	\$68.9	\$ 3.3	\$31.4	\$78.0
1980	\$58.2	\$ 7.0	\$42.6	\$100.6
1981	\$53.4	\$ 9.9	\$57.5	\$106.3
1982	\$54.9	\$11.5	\$71.1	\$101.6
1983	\$70.9	\$11.5	\$61.0	\$123.0
1984	\$67.8	\$13.4	\$63.4	\$140.9
1985	\$60.2	\$15.7	\$54.3	\$162.5
1986	\$65.4	\$12.9	\$49.3	\$191.5
1987	\$75.1	\$24.0	\$42.6	\$248.0
1988	\$51.3	\$22.5	\$44.2	\$277.7
1989	\$64.0	\$25.6	\$35.4	\$331.9
1990	\$79.5	\$31.3	\$45.0	\$397.7
1991	\$55.2	\$26.8	\$76.0	\$403.8
1992	\$40.9	\$41.7	\$129.6	\$356.7
1993	\$67.0	\$25.5	\$145.4	\$303.9
1994	\$77.0	\$19.6	\$171.6	\$228.9
1995	\$150.0	\$15.7	\$180.4	\$214.2
1996	\$152.4	\$14.9	\$173.3	\$208.2
1997	\$144.2	\$14.7	\$154.2	\$212.9
1998	\$136.8	\$15.1	\$143.3	\$221.5
1999	\$134.1	\$15.7	\$124.1	\$247.2
2000	\$138.9	\$17.8	\$96.9	\$307.0
2001	\$106.3	\$21.1	\$136.1	\$298.2
2002	\$134.6	\$24.2	\$152.7	\$304.3
2003	\$147.0	\$14.4	\$123.6	\$342.0
2004	\$124.6	\$26.0	\$104.7	\$388.0
2005	\$130.2	\$21.4	\$82.3	\$457.2
2006	\$142.2	\$23.3	\$90.6	\$532.1
2007	\$108.4	\$19.8	\$108.2	\$552.2
2008	\$59.4	\$31.5	\$212.3	\$430.8
2009	\$42.1	\$12.7	\$373.9	\$134.4

Source: ETA2112, UI Financial Transaction Summary, Unemployment Fund

## APPENDIX B continued

### RATIO OF CURRENT TO ADEQUATE RESERVE FUND

Rate Year	High Cost Rate	Total Wages	Adequate Reserve Fund	Current Reserve Fund	Ratio of Current to Adequate Reserve	Rate Schedule in Effect	Fund Solvency Contribution Rate
1970	1.75%	\$1,184,552,472	\$31,094,502	\$43,936,906	1.41	II	
1971	1.75%	\$1,431,300,051	\$37,571,626	\$46,163,790	1.23	II	
1972	1.75%	\$1,560,306,438	\$40,958,044	\$36,349,934	0.89	I	
1973	2.02%	\$1,643,467,385	\$49,797,062	\$28,304,965	0.57	I	
1974	2.02%	\$1,821,684,864	\$55,197,051	\$27,420,364	0.50	I	
1975	2.02%	\$2,015,606,435	\$61,072,875	\$20,073,147	0.33	I	
1976	2.18%	\$2,247,956,108	\$73,508,165	\$10,730,152	0.15	-	
1977	2.86%	\$2,389,822,190	\$102,523,372	-\$7,426,119	-0.07	-	
1978	2.86%	\$2,578,562,218	\$110,620,319	\$5,992,114	0.05	-	
1979	2.86%	\$2,859,429,314	\$81,779,678	\$39,159,914	0.48		+1.6%
1980	2.86%	\$3,314,556,620	\$94,796,319	\$80,341,186	0.85		+0.8%
1981	2.86%	\$3,769,977,490	\$107,821,356	\$104,980,243	0.97		+0.4%
1982	2.86%	\$4,111,362,943	\$117,584,980	\$112,290,817	0.95		+0.4%
1983	2.86%	\$4,292,985,503	\$122,779,385	\$106,708,377	0.87		+0.8%
1984	2.86%	\$4,498,499,775	\$128,657,094	\$127,176,245	0.99		+0.4%
1985	2.86%	\$4,801,506,793	\$137,323,094	\$147,004,681	1.07		0.0%
1986	2.86%	\$5,037,888,349	\$144,083,607	\$166,408,163	1.15		0.0%
1987	2.76%	\$5,500,278,375	\$151,807,683	\$195,095,469	1.29		0.0%
1988	1.94%	\$6,093,516,291	\$118,214,216	\$246,416,114	2.08		-0.5%
1989	1.68%	\$6,864,348,520	\$115,321,055	\$274,840,914	2.38		-0.5%
1990	1.68%	\$7,756,988,055	\$130,317,399	\$334,252,180	2.56		-0.5%
1991	1.68%	\$8,753,700,993	\$147,062,177	\$401,647,674	2.73		-0.5%
1992	1.68%	\$9,561,673,898	\$240,954,182	\$411,119,192	1.71	A	
1993	1.66%	\$9,996,218,073	\$248,905,830	\$370,277,128	1.49	B	
1994	1.49%	\$10,315,548,416	\$230,552,507	\$315,881,780	1.37	B	
1995	1.65%	\$10,384,936,463	\$257,027,177	\$241,892,817	0.94	D	
1996	1.73%	\$10,401,361,958	\$269,915,343	\$226,972,601	0.84	D	
1997	1.78%	\$10,391,160,430	\$277,443,983	\$222,340,367	0.80	D	
1998	1.78%	\$10,554,781,603	\$281,812,669	\$226,036,037	0.80	D	
1999	1.78%	\$10,782,123,532	\$287,882,698	\$233,020,224	0.81	D	
2000	1.78%	\$11,025,705,500	\$294,386,337	\$256,407,449	0.87	D	
2001	1.78%	\$11,661,028,670	\$311,349,465	\$313,480,166	1.01	C	
2002	1.78%	\$12,294,711,901	\$328,268,808	\$317,703,649	0.97	C*	
2003	1.78%	\$12,412,503,464	\$331,413,842	\$309,477,079	0.93	D	
2004	1.78%	\$13,070,239,827	\$348,975,403	\$352,679,746	1.01	C	
2005	1.78%	\$13,820,414,010	\$369,005,054	\$389,302,103	1.06	C	
2006	1.78%	\$15,032,599,530	\$401,370,407	\$457,851,939	1.14	C	
2007	1.67%	\$16,258,037,800	\$407,263,847	\$532,892,238	1.31	B	
2008	1.46%	\$17,113,432,304	\$249,856,112	\$561,709,268	2.25	A	
2009	1.44%	\$17,834,793,224	\$256,821,022	\$454,058,555	1.77	A	
2010	2.20%	\$17,411,259,934	\$383,047,719	\$161,906,928	0.42	F	

*Rate year:* year during which rate schedule or Fund Solvency Rate is in effect.

*High Cost Rate:* highest benefit cost rate (benefits as a percent of total wages) in the last ten years.

*Total Wages:* for last four calendar quarters ending June 30 of calendar year prior to rate year.

*Adequate Reserve Fund:* from 1970 through 1978, and from 1992 adequate reserve equals 1.5 times high cost rate times total wages. From 1979 through 1991, and 2008 through 2010, adequate reserve equals high cost rate times total wages.

*Current Reserve Fund:* Unemployment Compensation Fund assets on November 30 of calendar year immediately preceding rate year.

*Rate Schedule in Effect:* Effective July 1, 1974 through March 31, 1975 all employers' tax rates were increased by 0.5%, up to a maximum of 3.0%; from April 1975 through the end of 1976, all employers paid 3.0% tax rate; for 1977 and 1978 all employers paid 3.5% tax rate. \*For 2002, schedule C remained in effect due to special legislation.

## APPENDIX B continued

### UNEMPLOYMENT INSURANCE TAX RATES

Year	Tax Rates (Percent of Taxable Wages)			Taxes as a Percent of Total Wages
	<i>Minimum</i>	<i>Maximum</i>	<i>Average</i>	
1970	0.4%	3.0%	1.2%	0.8%
1971	0.4%	3.0%	1.4%	1.0%
1972	0.8%	3.0%	1.9%	1.3%
1973	0.8%	3.0%	1.8%	1.2%
1974	0.8%/1.3%	3.0%	1.9%	1.2%
1975	1.3%/3.0%	3.0%	2.6%	1.7%
1976	3.0%	3.0%	2.9%	1.9%
1977	3.5%	3.5%	3.5%	2.4%
1978	3.5%	3.5%	3.5%	2.4%
1979	1.8%	4.5%	2.8%	1.9%
1980	1.0%	4.5%	2.1%	1.4%
1981	0.6%	4.5%	1.8%	1.2%
1982	0.6%	4.5%	1.8%	1.3%
1983	1.0%	4.5%	2.3%	1.6%
1984	0.6%	4.5%	1.9%	1.3%
1985	0.2%	5.4%	1.6%	1.1%
1986	0.2%	5.4%	1.7%	1.2%
1987	0.2%	5.4%	1.7%	1.2%
1988	0.0%	5.4%	1.3%	0.6%
1989	0.0%	5.4%	1.3%	0.9%
1990	0.0%	5.4%	1.3%	0.9%
1991	0.0%	5.4%	1.3%	0.5%
1992	0.0%	5.4%	0.6%	0.4%
1993	0.0%	5.4%	1.0%	0.7%
1994	0.0%	5.4%	1.1%	0.8%
1995	0.2%	5.4%	2.2%	1.6%
1996	0.2%	5.4%	2.1%	1.5%
1997	0.2%	5.4%	1.9%	1.4%
1998	0.2%	5.4%	1.8%	1.3%
1999	0.2%	5.4%	1.7%	1.2%
2000	0.2%	5.4%	1.7%	1.2%
2001	0.0%	5.4%	1.1%	0.8%
2002	0.0%	5.4%	1.2%	0.8%
2003	0.2%	5.4%	1.7%	1.2%
2004	0.0%	5.4%	1.2%	0.8%
2005	0.0%	5.4%	1.3%	0.9%
2006	0.0%	5.4%	1.3%	0.9%
2007	0.0%	5.4%	0.8%	0.6%
2008	0.0%	5.4%	0.7%	0.3%
2009	0.0%	5.4%	0.7% <i>est</i>	0.3% <i>est</i>
2010	1.2%	5.4%	2.75% <i>est</i>	1.9% <i>est</i>

Source: Quarterly Census of Employment and Wages (QCEW)

Note for 1974 and 1975: Minimum tax rate was 0.8% until July 1, 1974 then all employers' rates were increased by 0.5%, up to a maximum of 3.0%. The additional 0.5% was in effect until April 1, 1975 when all employers' rates became 3.0%.

Note for 2002: Tax Schedule C remained in effect by special legislation.

## APPENDIX B continued

### TOTAL AND TAXABLE WAGES

Year	Total Wages	% change	Taxable Wages	% change	% Taxable of Total Wages	Taxable Wage Base
1970	\$1,518,727,161		\$1,032,646,028		68%	\$5,500
1971	\$1,588,451,281	5%	\$1,101,177,779	7%	69%	\$6,000
1972	\$1,707,659,488	8%	\$1,171,863,417	6%	69%	\$6,300
1973	\$1,935,415,073	13%	\$1,310,016,575	12%	68%	\$6,500
1974	\$2,129,778,886	10%	\$1,418,777,880	8%	67%	\$6,800
1975	\$2,319,971,771	9%	\$1,537,695,558	8%	66%	\$7,300
1976	\$2,471,414,660	7%	\$1,634,221,510	6%	66%	\$7,800
1977	\$2,669,873,342	8%	\$1,890,965,749	16%	71%	\$9,300
1978	\$3,084,161,546	16%	\$2,153,653,091	14%	70%	\$9,800
1979	\$3,551,357,801	15%	\$2,443,433,910	13%	69%	\$10,400
1980	\$3,934,930,405	11%	\$2,689,241,050	10%	68%	\$11,200
1981	\$4,227,065,294	7%	\$2,921,073,895	9%	69%	\$12,200
1982	\$4,349,032,222	3%	\$3,030,663,748	4%	70%	\$13,100
1983	\$4,599,981,090	6%	\$3,198,088,181	6%	70%	\$13,800
1984	\$4,891,168,412	6%	\$3,430,347,509	7%	70%	\$14,600
1985	\$5,245,375,308	7%	\$3,661,947,705	7%	70%	\$15,100
1986	\$5,686,112,648	8%	\$3,922,702,338	7%	69%	\$15,600
1987	\$6,402,054,956	13%	\$4,391,057,014	12%	69%	\$16,500
1988	\$7,192,157,365	12%	\$3,314,009,708	-25%	46%	\$8,700
1989	\$8,130,492,059	13%	\$5,518,167,643	67%	68%	\$18,600
1990	\$9,237,628,172	14%	\$6,226,942,266	13%	67%	\$19,900
1991	\$9,599,527,870	4%	\$3,342,374,834	-46%	35%	\$7,000
1992	\$10,155,519,160	6%	\$7,042,429,428	111%	69%	\$22,700
1993	\$10,291,898,574	1%	\$7,251,815,678	3%	70%	\$23,900
1994	\$10,309,424,610	0%	\$7,394,972,486	2%	72%	\$25,000
1995	\$10,320,158,899	0%	\$7,411,024,845	0%	72%	\$25,500
1996	\$10,443,561,580	1%	\$7,420,054,226	0%	71%	\$25,800
1997	\$10,675,517,263	2%	\$7,483,098,627	1%	70%	\$26,000
1998	\$10,899,921,524	2%	\$7,560,072,702	1%	69%	\$26,400
1999	\$11,180,959,288	3%	\$7,748,893,876	2%	69%	\$27,000
2000	\$11,945,344,421	7%	\$8,209,730,134	6%	69%	\$27,500
2001	\$12,299,179,723	3%	\$8,455,669,862	3%	69%	\$28,400
2002	\$12,701,746,952	3%	\$8,701,690,997	3%	69%	\$29,300
2003	\$13,376,170,472	5%	\$9,155,378,879	5%	68%	\$30,200
2004	\$14,461,560,596	8%	\$9,752,243,796	7%	67%	\$31,000
2005	\$15,471,398,437	7%	\$10,545,452,082	8%	68%	\$32,300
2006	\$16,520,578,034	7%	\$11,353,002,832	8%	69%	\$34,000
2007	\$17,508,474,137	6%	\$12,056,590,692	6%	69%	\$35,300
2008	\$17,626,344,437	1%	\$6,452,926,682	-47%	37%	\$13,000
2009						\$13,000
2010						\$38,800

Source: Wages from Quarterly Census of Employment and Wages (QCEW)

## APPENDIX B continued

### CHARGED AND NONCHARGED BENEFITS

*(in millions of \$)*

Year	Total Benefits	Charged Benefits	% of Total	Noncharged Benefits	% of Total
1970	\$14.7	\$8.8	60%	\$5.9	40%
1971	\$27.9	\$18.2	65%	\$9.7	35%
1972	\$28.0	\$18.2	65%	\$9.8	35%
1973	\$26.3	\$15.7	60%	\$10.6	40%
1974	\$34.9	\$21.3	61%	\$13.7	39%
1975	\$47.0	\$30.1	64%	\$16.8	36%
1976	\$57.5	\$43.1	75%	\$14.4	25%
1977	\$45.1	\$44.3	98%	\$0.9	2%
1978	\$36.0	\$35.6	99%	\$0.4	1%
1979	\$30.5	\$30.2	99%	\$0.3	1%
1980	\$40.7	\$40.2	99%	\$0.5	1%
1981	\$56.7	\$56.1	99%	\$0.6	1%
1982	\$70.5	\$69.9	99%	\$0.6	1%
1983	\$60.9	\$59.7	98%	\$1.2	2%
1984	\$62.4	\$61.8	99%	\$0.6	1%
1985	\$53.9	\$53.4	99%	\$0.5	1%
1986	\$48.4	\$47.8	99%	\$0.6	1%
1987	\$43.6	\$36.6	84%	\$7.0	16%
1988	\$44.1	\$35.3	80%	\$8.8	20%
1989	\$35.4	\$26.9	76%	\$8.5	24%
1990	\$44.2	\$30.9	70%	\$13.3	30%
1991	\$76.5	\$56.6	74%	\$19.9	26%
1992	\$129.1	\$101.7	79%	\$27.4	21%
1993	\$144.8	\$105.9	73%	\$38.9	27%
1994	\$170.5	\$137.9	81%	\$32.6	19%
1995	\$178.9	\$148.0	83%	\$30.9	17%
1996	\$171.7	\$145.5	85%	\$26.2	15%
1997	\$153.8	\$131.5	85%	\$22.3	15%
1998	\$142.4	\$121.9	86%	\$20.5	14%
1999	\$123.2	\$104.4	85%	\$18.8	15%
2000	\$96.1	\$79.6	83%	\$16.4	17%
2001	\$132.9	\$109.9	83%	\$22.9	17%
2002	\$144.7	\$120.0	83%	\$24.6	17%
2003	\$122.2	\$102.9	84%	\$19.3	16%
2004	\$103.7	\$87.5	84%	\$16.2	16%
2005	\$81.8	\$67.0	82%	\$14.8	18%
2006	\$90.1	\$72.7	81%	\$17.4	19%
2007	\$107.6	\$88.0	82%	\$19.7	18%
2008	\$211.2	\$179.5	85%	\$31.7	15%

Source: ETA-204, Experience Rating Report

Includes regular program benefits only; does not include extended benefits

## **APPENDIX C**

### **Benefits Not Charged to Employer Accounts**

The following types of unemployment insurance benefits are not charged to individual employer's unemployment insurance accounts:

- a. Benefits paid to a claimant based on wages from an employer from whom the claimant voluntarily quit work without good cause<sup>1</sup>;
- b. Benefits paid to a claimant based on wages from an employer from whom the claimant was discharged for misconduct connected with work;
- c. Benefits paid to a claimant based on wages from an employer from whom the claimant left work voluntarily for a good cause that was not attributable to the employer;
- d. Benefits paid to an individual who during that individual's base period earned wages for part-time employment with an employer, are not charged to that employer if the employer continues to employ the individual to the same extent while the individual is receiving benefits as during the individual's base period;
- e. Benefits paid to an individual for the period that individual is enrolled in and is in regular attendance at an approved training course;
- f. One-half of Extended Benefits (the other half of EB is financed with federal unemployment tax funds)<sup>2</sup>;
- g. Benefits paid to an individual who qualifies to receive benefits by meeting the minimum earnings and employment requirements only by combining the individual's employment and wages earned in two or more states<sup>3</sup>;
- h. Benefits overpaid to a claimant as a result of ineligibility or disqualification, unless the overpayment resulted from the employer's failure to furnish information as required;
- i. Benefits paid to an individual based on wages from an employer from whom the individual is separated as a direct result of a major disaster.<sup>4</sup>

---

<sup>1</sup>Benefits described in a, b, and c were chargeable from July 15, 1976 through October 4, 1986.

<sup>2</sup>EB was chargeable from January 1, 1985 through October 4, 1986.

<sup>3</sup>Benefits described in g and h became nonchargeable from July 15, 1976.

<sup>4</sup>Effective from September 13, 1992.

## APPENDIX D

### The Hawaii Unemployment Compensation Fund and Economic Conditions: 1970 to the Present

- 1970** The 1970s began with a low IUR (Insured Unemployment Rate) of slightly above 2% and high fund reserves in excess of \$40 million.
- 1971** Unemployment increased throughout 1971 in the aftermath of the Mainland recession, and due partly to a lengthy dock strike in the second half of the year. The Extended Benefits program was initiated allowing an additional 13 weeks of unemployment insurance benefits to be paid to claimants who exhaust their 26 weeks of regular benefits during periods of high unemployment. Hawaii paid extended benefits from October 1971 through December 1972. Increasing unemployment and additional benefits paid out under the Extended Benefits program caused benefit outgo to increase and the fund balance to decline.
- 1972** The fund continued to decline as additional dock strikes and continuing Extended Benefits payments caused benefit outgo to remain high.
- 1973** Unemployment decreased slightly causing the fund balance to remain relatively level.
- 1974** The IUR began to climb again as Mainland recessionary conditions started affecting Hawaii.
- 1975** Hawaii began a new Extended Benefits period beginning in February 1975 as unemployment continued to increase. This EB period continued until March 1978 (except for a short break in the program during August 1977).
- 1976** The IUR reached a peak of 7% in the first half of 1976. During the 1974 through 1976 period the fund balance was drastically reduced by the unprecedented high level of unemployment and corresponding high benefit outgos. The fund was depleted in 1976. Benefits continued to be paid during the year through the use of \$22.5 million in federal loans to the fund.
- 1977** The economy began to improve slightly, although construction strikes caused unemployment to temporarily increase at the end of 1977 and early 1978. In order to rejuvenate the fund, tax rates, which had been gradually increasing during the 1970s, were set at a uniform rate of 3.5% for 1977.
- 1978** The flat 3.5% tax rate continued to be in effect. As the economy improved, the IUR steadily declined until it leveled off at about 3% during the second half of the year. With the increased income and declining outgo, the fund balance was brought out of its negative levels and the federal loan was repaid late in 1978.
- 1979** Varied tax rates for employers (experience rating) was reinstituted; this caused fund income to decline slightly from the high 1978 level. Benefits remained relatively low, resulting in a further increase in the fund balance to \$78 million by the end of 1979.
- 1980** Employer tax rates were again decreased based on the healthy fund reserves. Although Hawaii's unemployment remained low, an Extended Benefits period was triggered on by high national unemployment. This EB period was from July 1980 to January 1981. Fund income exceeded outgo and reserves reached \$100.6 million by the end of 1980.
- 1981-1984** Unemployment was very stable with the IUR fluctuating only between 2.5% and 3.5%, weathering airline, construction, and other strikes occurring during this time. The fund balance was kept at about the adequate reserve level throughout the period.
- 1985** Tax schedules were adjusted to include a maximum tax rate of 5.4% in order to allow employers to continue to receive full tax credits under the Federal Unemployment Tax Act (FUTA).
- 1986-1987** The tourism and construction industries were in a boom period resulting in declining unemployment and a growing fund balance.
- 1988** The high fund balance resulted in the triggering of a negative Fund Solvency Rate for the first time. Also, a one-year special law provision cut the Taxable Wage Base to 50% of the statewide average annual wage.
- 1989** Unemployment continued to decline with the IUR reaching an all time low of 0.96% in December 1989. The fund continued to be more than twice the adequate reserve level allowing the negative 0.5% Fund Solvency Rate to remain in effect.
- 1990** Despite Mainland recessionary conditions, Hawaii tourism and construction continued to do well through 1990. Although a hotel strike during March caused a temporary rise in unemployment, the average IUR for the year remained level with 1989.



## APPENDIX D continued

- 1991** The Persian Gulf War triggered a slowdown in March as tourist traffic declined dramatically and unemployment jumped. Mainland recessionary conditions began affecting Hawaii's economy as unemployment remained high through the year especially in the construction and tourism related industries. A one-year special provision cut the taxable wage base to \$7,000.
- 1992** A new tax schedule system was implemented and the lowest tax schedule (A) was in effect for 1992. Hurricane Iniki hit the islands in September 1992 resulting in major damage and high unemployment on Kauai. Mainland and Japanese recessionary conditions continued to weaken the tourist and construction sectors. The end of year fund balance declined from the previous year for the first time since 1982. Emergency Unemployment Compensation (EUC) benefits were paid to claimants from November 1991 through April 1994. These benefits, paid to claimants who exhausted their regular state benefits, were 100% federally funded.
- 1993-1994** Tax schedule B was in effect for 1993 and 1994, keeping the average unemployment tax rate at a low 1%. At the same time the tourism and construction sectors remained sluggish causing large benefit payouts from the fund.
- 1995-1998** The economy remained flat from 1995 through 1998, with benefit levels declining slightly each year. The fund balance stabilized at around \$210 million and tax schedule D stayed in effect from 1995 through 1998.
- 1999-2000** The economy was on the rise with insured unemployment dropping below 2% and the fund balance reaching \$300 million levels, triggering tax schedule C for 2001.
- 2001-2002** In the aftermath of terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001, the number of unemployed increased and the fund balance began to drop. Special legislation provided Hawaii claimants exhausting regular benefits between September 11, 2001 and June 30, 2002 with 13 weeks of additional benefits and kept tax schedule C in effect for calendar year 2002. A special federally funded program, Temporary Extended Unemployment Compensation (TEUC) also provided an additional 13 weeks of benefits to claimants, effective from March 10 to December 31, 2002.
- 2003-2004** The federal TEUC program was extended to December 31, 2003 with a transition period for the continuation of payments to individuals, who have balances as of the end of December, to March 31, 2004. Effective from April 20, 2003 through December 28, 2003, displaced airline and related workers who exhaust their 26 weeks of regular benefits may receive up to 39 weeks of additional federally funded TEUC-A benefits. Throughout 2004, Hawaii's unemployment dropped significantly resulting in a growing trust fund.
- 2005-2006** Tourism, construction and real estate contributed to a very healthy economy where the insured unemployment rate dropped to 1.0% by the last quarter of 2005. The fund balance grew to more than \$500 million by November 2006 triggering a decrease in tax rates to Tax Schedule B for calendar year 2007.
- 2007** The 2007 Legislature enacted Act 110 which: increased the partial earnings disregard amount from \$50 to \$150; increased the maximum weekly benefit amount formula from 70% to 75% of statewide average annual wages for calendar years 2008 through 2010; set the taxable wage base at \$13,000 for calendar years 2008 through 2010; and changed the adequate reserve formula to remove the one and one-half times multiplier for the calendar years 2008 through 2010 tax schedule computations.
- 2008-2009** Airline closures in April 2008, the departure of major cruise ships, closures of pineapple and sugar operations, and finally major problems with the national financial sector resulted in a downturn in both the national and Hawaii economies. The tourism and construction industries are especially hard hit. Recessionary conditions on the Mainland and in Hawaii resulted in the IUR nearly doubling from an average 1.78% in 2008 to 3.45% in November 2009 and the fund balance falling from \$552 million at the end of 2007 to \$162 million as of the end of November 2009. Tax rates and the taxable wage base will increase automatically in 2010 due to the low fund balance.
- A 100% federally financed Emergency Unemployment Compensation (EUC08) program was enacted to provide claimants who exhaust their regular 26 weeks of benefits with an additional 13 weeks of benefits effective from July 6, 2008 through March 31, 2009. Effective from November 23, 2008 an additional seven weeks were added, for a total of 20 weeks, of EUC benefits. Claimants who begin to receive EUC benefits before the program end date of March 31, 2009 may continue to receive the remainder of their EUC weeks until the week ending August 29, 2009. On February 17, 2009, the end date for the program was extended to December 31, 2009; claimants with balances in their EUC accounts are able to continue collecting EUC benefits until the week ending June 5, 2010. Beginning with the week ending May 9, 2009, claimants who exhaust their first 20 weeks of EUC benefits before December 31, 2009 may receive an additional 13 weeks of Tier II EUC benefits. Effective with the week ending November 14, 2009, claimants may be eligible for one additional week of Tier II, and 13 weeks of Tier III EUC benefits. This brought the total to 47 weeks of federally funded EUC benefits for Hawaii claimants.